



## CITY OF LODI COUNCIL COMMUNICATION

**AGENDA TITLE:** Adopt resolution authorizing the City Manager to execute an updated Second Phase Member Agreement with the Northern California Power Agency **for** the Lodi Energy Center (\$3,030,000) (EUD)

**MEETING DATE:** December **19, 2007**

**PREPARED BY** Electric Utility Director

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**RECOMMENDED ACTION:** Adopt a resolution authorizing the City Manager to execute an updated Second Phase Agreement with the Northern California Power Agency (NCPA) for Financing the Planning and Development Activities of the Lodi Energy Center.

**BACKGROUND INFORMATION:** On March 7, 2007, the City Council approved execution of a Second Phase Member Agreement with NCPA for the New Lodi Project (now called the Lodi Energy Center). The New Lodi Project is a potential 255 MW combined cycle generation facility located adjacent to the existing NCPA Combustion Turbine Project No. 2 facility at White Slough for possible operation in 2010 (presently 2012). Lodi's participation level ~~was~~/is 30 megawatts.

This original Second Phase Member Agreement provided that it would not become effective until participants representing 95% of the planned participation level had executed the contract. This level was never reached hence the agreement did not become operational. Contract cost limits for Phase 2A and 2B were \$3.9 million and \$10.1 million respectively for a total Second Phase cost of \$14 million.

Since that time (i) new participants, (ii) cost and schedule changes and (iii) changes in phase activities have dictated revisions in the original Second Phase Member Agreement. The updated agreement is attached for review and approval.

Under the updated agreement, the first sub-Phase (Phase 2A) provides for the completion of initial engineering studies and project definition, submittal of application for California Energy Commission (CEC) approval, and an updated assessment of the availability/cost of equipment for the project, machines, and the acquisition of emission reduction credits (ERC's) or options. The second sub-Phase (Phase 2B) includes completion of the CEC process, final acquisition of ERC's as may be necessary, completion of documents for Phase 3, and the release of bid document(s) for construction. Phase 2B will not be undertaken by NCPA except upon the project members' further authorization pursuant to the terms of the Agreement. Updated contractual cost levels for Phase 2A is \$16 million and a total Second Phase maximum cost of \$25 million. The \$16 million for Phase 2A is intended to allow for purchase of ERCs, though that may be deferred, shifting cost from Phase 2A to Phase 2B. The \$25 million cap for Phase 2 applies to the total of the two sub-Phases, regardless.

The current schedule calls for a ten (10) month period of work for Phase 2A and an additional ten (10) months for Phase 2B. If Phase 2A begins at the end of January, 2008, it is projected to be completed in

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APPROVED:

A handwritten signature in blue ink, appearing to read "Blair King", written over a horizontal line.

Blair King, City Manager

November 2008. In this case, Phase 2B will begin in December, 2008 and proceed through September 2009. The current operational date for the project is April 2012 with construction to begin in the second quarter of 2010.

Costs have increased significantly from the original Second Phase Agreement (\$14 million) to the present agreement (\$25 million). This is due in large part to the increased cost of emission offset credits (ERCs). The project will be required to purchase offsets for its projected emissions of PM10 (particulates below 10 microns in diameter), NOx, SOx and VOCs (volatile organic compounds). The expected costs of acquiring ERCs for the project has increased from about \$4.5 million to as much as \$12.5 million. Other changes in estimated costs are as follows:

<b>Lodi Energy Center Phase 2 Cash Flow Estimate Comparison</b>								
	2005-2006	4/07	11/07 Estimate w/ ERC			11/07 Estimate w/ ERC Option		
Cost Particulars	Estimate	Estimate \$000	Estimate \$000	Delta 05-06 \$000	Delta 05-06 %	Estimate \$000	Delta 05-06 \$000	Delta 05-06 %
ERCs	4,000	4,500	11,008	6,508	59.1%	12,500	8,000	72.7%
Transmission Studies	30	115	375	260	69.3%	375	260	69.3%
Engineering	6,000	6,500	7,500	1,000	13.3%	7,500	1,000	13.3%
CEC Process	75	174	200	26	13.0%	200	26	13.0%
All Other (2)	3,875	4,211	4,252	41	1.0%	4,251	40	0.9%
<b>Total Estimate</b>	<b>14,000</b>	<b>15,500</b>	<b>23,335</b>	<b>7,835</b>	<b>33.6%</b>	<b>24,826</b>	<b>9,326</b>	<b>40.0%</b>

Note: "ERC Option" scenario involves obtaining "options" to buy ERC credits rather than actual credits in Phase 2A with ERC actual purchase in Phase 2B. Options would cap the cost of ERCs, but require payment of a premium upfront.

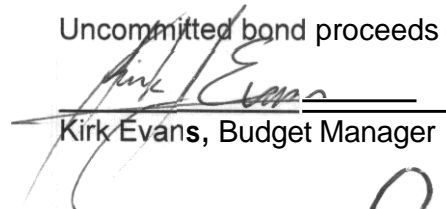
Given the current level of subscription to the project, Lodi's pro-rata share of the licensing and development costs for a 30 MW share (about 12.1% at the 249 MW subscription level) will be about \$3.03 million, of which up to \$1.94 million would be spent in Phase 2A. (Costs may vary from this projection depending on participation levels of other entities.) If the project is found to be feasible, and if Lodi elects to proceed with project development, a Third Phase agreement will allocate rights to participate in final costs and benefits on the same basis. If the project is eventually financed for construction, the second phase costs would be reimbursed to the Members from any project financings. If the project is cancelled before construction financing, any purchased air pollution emission credits may be resold or applied to another project. Since supply of ERCs is expected to be more limited than demand, ERCs are believed to be an appreciating asset.

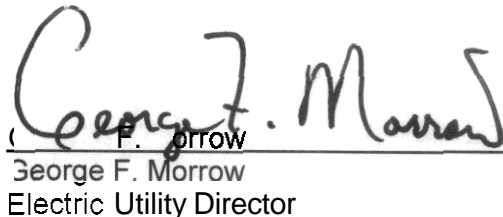
The Project is currently subscribed at 249 MW with 6 MW outstanding (unsubscribed). NCPA has meetings planned with other Municipal and Water Agency counterparties to fill the remaining 6 MW. The Lodi Energy Center Phase 2 Agreement becomes effective once approved by entities comprising 85 percent or more (216.75 MW) of the initial participation percentage levels. Signatories to the Agreement will have the right to reduce their participation or to withdraw wholly from the project if a signatory's financial commitment increases beyond its original pro rata share of the Phase 2A budget of \$16 million or prior to initiation of Phase 2B or Phase 3.

Staffs recommendation also includes designation of the City's Electric Utility Director as the City's authorized representative under the Phase 2 Agreement with the authority to undertake project votes and other administrative actions required of the utility under the agreement.

**FISCAL IMPACT:** Lodi's projected \$3.03 million share of costs under this agreement is planned to be funded through residual bond proceeds. Costs may vary from this projection depending on final participation levels of other entities. An additional commitment of up to 15% of this amount (and a corresponding increase in project share) may be permitted by the agreement in case of under-subscription to the project or default of another project participant, subject to a participant's right to reduce participation or to withdraw if its financial commitment increases beyond initial designation levels. Advances to NCPA to cover costs shall be made within sixty days of invoice and are expected to generally reflect project cash flow needs.

**FUNDING:** Uncommitted bond proceeds (Account No. 161.1080)

  
Kirk Evans, Budget Manager

  
George F. Morrow  
Electric Utility Director

Attachments

RESOLUTION NO. 07-72

RESOLUTION OF THE COMMISSION OF THE NORTHERN CALIFORNIA POWER  
AGENCY APPROVING THE REVISED SECOND PHASE AGREEMENT OF THE  
LODI ENERGY CENTER PROJECT DEVELOPMENT

WHEREAS, in November 2006, the NCPA Commission authorized the NCPA General Manager to execute Second Phase New Lodi Project Development Agreements with NCPA Members, and NCPA and participating NCPA members now desire to revise the previously approved Second Phase Agreement to change the project name to the Lodi Energy Center and to allow for project participation by public entities that are not NCPA members (Non-NCPA Members); and

WHEREAS, NCPA members have identified the need for additional power supply resources to meet their anticipated demand for energy and capacity over the next ten years and beyond; and

WHEREAS, members have considered options including market purchases, acquisition of existing projects, partnerships in resources development with other entities, increasing the capacity at existing NCPA plants, and developing new and more efficient resources; and

WHEREAS, members desire to develop and construct an efficient, economic and environmentally responsible energy and capacity resource as part of their power mix strategy; and

WHEREAS, entering into the Second Phase Agreement will assist the Participating Members in planning to meet their capacity and energy power goals, reduce reliance on power purchase agreements and associated fuel price volatilities, and assist the State of California in meeting its reserve requirements and energy goals, and will reduce costs by economics of scale, avoiding duplication of efforts; and

WHEREAS, the Participating Members are ready, willing and able to support the development of this project; and

WHEREAS, NCPA is ready, willing and able to enter into agreements on behalf of the Participating Members and Non NCPA Members to efficiently and effectively develop and permit the project;

NOW, THEREFORE BE IT RESOLVED, that the Commission, of the Northern California Power Agency hereby approves the proposal and the plan described in the attached Staff Report authorizing an expenditure of an amount not to exceed \$25,000,000 as the combined total expenditures amount for Second Phase A and Second Phase B activities related to attaining ERCs, project permitting and further engineering and development of the Lodi Energy Center, the finalization and approval of the Second Phase Agreement, and the provisions within the Agreement which allow for the participation of Non-NCPA Members on an equitable basis with NCPA Members.

FURTHERMORE, the Commission a) approves the activities and intent of the Lodi Energy Center Second Phase Agreement; b) authorizes execution of the Second Phase Agreement on behalf of NCPA by the NCPA General Manager with such non-substantive changes as approved by the NCPA General Counsel; and c) approves the forwarding of the final form of the Second Phase Agreement to the participating NCPA members and Non-NCPA members to obtain their governing body approvals of the Lodi Energy Center Second Phase Agreement.

PASSED, ADOPTED and APPROVED this 29th day of November 2007, by the following vote on roll call:

	<u>Vote</u>	<u>Abstained</u>	<u>Absent</u>
Alameda		X	
BART	Y		
Biggs	Y		
Gridley	Y		
Healdsburg	Y		
Lodi	Y		
Lompoc	Y		
Palo Alto		X	
Port of Oakland	Y		
Redding		X	
Roseville		X	
Santa Clara	Y		
Truckee Donner			X
Turlock		I?	
Ukiah			X
Plumas-Sierra	Y		



PATRICK KOLSTAD  
CHAIRMAN

ATTEST:



DENISE DOW  
ASSISTANT SECRETARY

**SECOND PHASE AGREEMENT  
FOR  
FUNDING THE PLANNING AND DEVELOPMENT  
ACTIVITIES  
OF THE  
LODI ENERGY CENTER**

This Second Phase Agreement for Funding the Planning and Development Activities of the Lodi Energy Center ("this Agreement") by and between the Northern California Power Agency, a joint powers agency of the State of California ("NCPA"), those members of NCPA which have individually executed this Agreement, the Modesto Irrigation District, an Irrigation District ("MID"), the State of California by and through the California Department of Water Resources ("CDWR"), and the City of Azusa, a municipal corporation ("Azusa"), and such other parties as may be identified in Exhibit C of this Agreement from time to time (collectively, the "Parties"), is made and entered into in Roseville, California as of November 29, 2007, and

**WITNESSETH:**

WHEREAS, the Parties to this Agreement other than NCPA are referred to herein as "Project Members" and are identified in Exhibit C of this Agreement; and

WHEREAS, NCPA and the Project Members are interested in developing additional power generation to meet the future electric demands of the Project Members and their electric customers; and

WHEREAS, NCPA proposes to develop a new combined cycle natural gas generation facility, to be located on property owned by the City of Lodi and which facility is anticipated to produce at least 255MW capacity ( the “Lodi Energy Center” or the “Project”); and

WHEREAS, following study and discussion of the findings made to NCPA Members on August 25, 2005 pursuant to NCPA Commission Resolution 05-16, the members of NCPA requested NCPA staff to prepare an agreement to continue project development activities; and

WHEREAS, by NCPA Commission Resolution no. 06-48, adopted on November 30, 2006, the NCPA Commission has previously authorized a form of second phase agreement for the Lodi Energy Center, together with such non-substantive changes to that agreement as might be approved by the NCPA General Counsel; and

WHEREAS, since the adoption of Resolution no. 06-48, additional Project Members, including MID, CDWR and Azusa, which are not members of NCPA have expressed a desire to participate in the Lodi Energy Center and substantial changes have been made to the form of the prior second phase agreement; and

WHEREAS, in accordance with Section 5.2 of that certain Facilities Agreement executed by and between NCPA and certain of its members dated September 22, 1993, as amended through February 2, 2007, and included herein by reference (copies of said Facilities Agreement have been distributed to all Project Members and NCPA will additionally distribute copies to Project Members upon request), a project’s “second phase” consists of work to be performed after NCPA completes preliminary investigations and surveys regarding a project proposal, and before a third phase agreement becomes effective as to the project’s actual financing, construction, operation, maintenance, and the allocation of rights to a project’s output; and

WHEREAS, to advance the due diligence investigation of the proposed Lodi Energy Center, to pursue related environmental studies, to investigate, appraise and attain property rights necessary to develop the Lodi Energy Center on property owned by the City of Lodi, to perform project planning and design, to provide working capital for project development and finance, and to engage necessary expert professional services including those of NCPA staff, the NCPA Commission and the Project Members hereby declare the Lodi Energy Center to be an “NCPA Project” as per the terms of the Facilities Agreement<sup>1</sup>, and hereby enter into this Agreement which is declared to be a “Second Phase Agreement” under the terms of the Facilities Agreement; and

WHEREAS, MID, while not a member of NCPA, wishes to participate in the project development by assuming a sixty (60) megawatt share of the Lodi Energy Center capacity, and to assume its prorated share of the costs and responsibilities incurred under this Agreement; and

WHEREAS, CDWR, while not a member of NCPA, wishes to participate in project development by assuming a sixty (60) megawatt share of the Lodi Energy Center capacity, and to assume its prorated share of the costs and responsibilities incurred under this Agreement; and

WHEREAS, CDWR is a public agency within the State of California and its agreements are required by California law to include certain terms, conditions and certifications; CDWR and NCPA, between them alone and excluding the other Project Members, are bound by the State of California terms, conditions and certifications set forth by reference and applicability in Section 19, and

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<sup>1</sup> Section 1.14 of the Facilities Agreement defines the term “NCPA Project” as meaning any project which has progressed past the First Phase. Section 5.2 of the Facilities Agreement provides that for the purpose of ending the First Phase, the NCPA Commission may declare a termination of investigation regarding a project, or it may declare the project to be an NCPA Project by entering into a Second Phase agreement or Third Phase agreement with one or more participants desiring to participate in the project.

Exhibits D and E hereto; and

WHEREAS, Azusa, while not a member of NCPA, wishes to participate in the project development by assuming a seven (7) megawatt share of the Lodi Energy Center capacity, and to assume its prorated share of the costs and responsibilities incurred under this Agreement; and

WHEREAS, NCPA and the Project Members which are members of NCPA desire to encourage the participation of Project Members which are not members of NCPA ("Non-NCPA Project Members"), such as MID, CDWR and Azusa, and such other Non-NCPA Project Members as may be identified in Exhibit C from time to time, in the Lodi Energy Center, and to provide to them the opportunity to participate in the governance of the Lodi Energy Center on terms equivalent to those afforded to Project Members which are NCPA members; and

WHEREAS, NCPA's duties under this Second Phase Agreement will be performed sequentially in parts as Phase 2A and Phase 2B, with Phase 2A consisting of the activities listed in Exhibit A attached hereto at a cost not to exceed sixteen million (\$16,000,000) dollars and which may include attaining Project required ERCs; and

WHEREAS, initiation of the Phase 2B activities consisting of all remaining Second Phase activities listed in Exhibit A attached hereto, including but not limited to the purchase of any remaining required air pollution emission credits and additional engineering and permitting costs, at an estimated additional cost of up to nine million (\$9,000,000) dollars, actions of which will not be undertaken by NCPA except upon the Project Members' further authorization pursuant to the terms of this Agreement, and subject to the withdrawal of any Project Member after the completion of Phase 2A and prior to the initiation of Phase 2B.

**NOW THEREFORE, the Parties hereto agree as follows:**

Section 1. Obligations - Percentage Participation - Collections and Accounting.

(a) NCPA, on behalf of itself and the Project Members, shall act as the lead agency for the purpose of representing the Lodi Energy Center in connection with an Application for Certification to the California Energy Commission ("CEC"), including Project environmental review, and shall advance due diligence, perform financial planning, prepare design and construction documents, investigate, appraise and attain necessary land and land rights, employ experts, prepare permit documents for the Project, negotiate the terms and conditions of draft power purchase agreements with NCPA members and outside entities as necessary, secure vital equipment and emissions credits, and develop a Third Phase Agreement within the meaning of the Facilities Agreement satisfactory to NCPA and the Project Members as set forth in Sections 1.(b) and 1.(c) below.

(b) NCPA shall perform services related to the Lodi Energy Center identified in Exhibit A hereto as Phase 2A activities at a total cost not to exceed sixteen million (\$16,000,000) dollars. Such activities contemplated in Phase 2A include the evaluation and potential purchase of all or a portion of Project required ERCs. Project Members may act, pursuant to Section 8 of this Agreement, to increase Phase 2A activities costs. The Parties anticipate that Phase 2A activities will be completed by the end of 2008.

(c) Upon the Project Members' authorization, provided pursuant to Section 3 of this Agreement, to undertake Phase 2B activities, NCPA shall conduct such additional work as may be necessary, including to secure a CEC

Order approving an Application For Certification of the Lodi Energy Center and to obtain any further required air emission reduction credits ("ERCs"). Such work shall be performed at an estimated cost of up to nine million (\$9,000,000) dollars. The Parties anticipate that Phase 2A and Phase 2B activities will be completed by the end of 2009 at a combined total cost not to exceed twenty-five million (\$25,000,000) dollars.

(d). Each Project Member hereby agrees, upon request by NCPA, to pay or advance to NCPA, from each Project Member's electric department revenues or funds only (or in the case of the Bay Area Rapid Transit District ("BART"), from its tariffs, fees or other sources of revenue, provided that such sources shall not include any sums derived by from sources the use of which is limited by law to expenditures other than operating expenses, or in the case of CDWR, from its Bond Fund and/or System Revenue Account) its respective Project Member Participation Percentage share of the costs authorized by Project Members in accordance with this Agreement. Each Project Member further agrees that it will fix the rates and charges for services provided by its electric department (or in the case of BART its general revenues, or in the case of CDWR, its bond funding or billings for payments to the System Revenue Account, subject to the Budget Contingency Clause cited in Section 21) so that it will at all times have sufficient funds in its electric department revenue funds to meet this obligation.

(e) Each Project Member's share of Project is initially established according to the table entitled "Lodi Energy Center Capacity and Participation Percentages" attached as Exhibit C hereto, as shown in the column entitled Initial Share of Project Capacity.

The Project Member Participation Percentage and Effective Project Capacity megawatt subscription of each Project Member shall be revised

proportionately if more than 216.75 megawatt Project capacity and less than the full 255 megawatt Project capacity is subscribed as shown in the Initial Project Capacity column.

The Project Member Participation Percentage and Effective Project Capacity megawatt subscription of each Project Member shall be revised proportionately if and when any Project Member withdraws in whole or in part, provided that the combined total of any such proportionate increases in each Project Member's Participation Percentage and Effective Project Capacity megawatt subscription, whether resulting from less than full Project capacity subscription and or the full or partial withdrawal of any Project Member, shall not exceed fifteen (15) percent of any Project Member's Initial Project Capacity subscription and respective Initial Share of Project Capacity. Any Project Member wholly withdrawing shall thereupon cease to be a Project Member for all purposes except for purposes of Section 4.

In the event that additional Project Members are added to this Agreement in accordance with the terms of Exhibit C, the Project Member Participation Percentage of each Project Member and the respective Effective Project Capacity such percentage represents, shall be proportionately adjusted downward but in no case shall such downward adjustment result in any then existing Project Member receiving less than its Initial Project Capacity subscription in the Project.

(f) From time to time, NCPA shall concurrently demand from each Project Member its share of Lodi Energy Center Phase 2A and Phase 2B costs. NCPA shall fix and schedule the total amount payable by each Project Member into a number of periodic payments and set the dates on which such payments will be made, and each Project Member agrees to abide by such schedule. NCPA shall provide a reasonable opportunity for any Project Member to prepay, to make one payment or to establish an alternative monthly or quarterly periodic prepayment

schedule to cover its total cost obligation. Any Project Member may arrange to remit the entirety of its projected financial commitment in one payment, subject to true up from time to time, based on actual expenditures and such Project Member's Participation Percentage. Any part of such demand by NCPA which remains unpaid for sixty (60) calendar days after its billing date shall bear interest from such sixtieth (60<sup>th</sup>) day at the prime rate of the Bank of America then in effect computed on a daily basis plus two (2%) percent until paid. Interest so assessed and paid shall not change any Project Member's Participation Percentage or Effective Project Capacity share.

The funds paid by Project Members according to this Section 1 shall be used to establish a working capital fund for payments by and obligations of NCPA under this Agreement.

Nothing in this Section 1 shall be construed to prohibit any Project Member from satisfying its financial commitments from unencumbered funds otherwise on deposit at NCPA.

(g) NCPA shall maintain a separate fund to account for all monies received and expended with respect to the Lodi Energy Center. Within such separate fund, NCPA shall separately account for monies received from and costs allocated to each Project Member. Interest accruing on funds received from Project Members in the form of a single payment or a prepayment shall be credited to the account of such Project Members making the single payment or prepayment. Each Project Member shall have the right to review or inspect all financial records with respect to the Lodi Energy Center. Any Project Member may request an accounting of monies received or expended by NCPA and a copy of any such accounting shall be made available to all Project Members. Any Project Member requesting an accounting less than twelve months (12) months

following the last accounting shall pay for the costs of such accounting. Any expenses of accounting or other administrative expenses incurred by NCPA shall be deemed to be Project related costs which shall be borne by the Project Members.

Section 2. Limited Rights to Participate in Final Implementation and Financing.

(a) Discretion - Disposition of Capacity. In consideration of the payments provided for in Section 1 of this Agreement, each Project Member which has not wholly withdrawn and which is not in default, shall have an exclusive option to enter into a Third Phase Agreement or to enter into a Power Purchase Agreement, for all or a part of its Project Member Participation Percentage share of all capacity made available to NCPA from the Project on a take or pay basis. Any such Third Phase Agreement and or Power Purchase Agreements shall be consistent with an NCPA Third Phase Agreement as contemplated by the Facilities Agreement<sup>2</sup>.

Any Power Purchase Agreement entered into with a Project Member shall be for not less than the term of any bonds sold to finance the construction of the Project, shall be entered into concurrently with the approvals by Project Members entering into the Lodi Energy Center Third Phase Agreement, and shall be in a form mutually agreed upon by NCPA and the Project Members choosing to enter into a Power Purchase Agreement.

(b) Increase in Participation Percentage. Any Project Member can, at

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<sup>2</sup> Section 5.2 of the Facilities Agreement defines Third Phase as all work performed after one or more participants has contracted with NCPA to participate in the financing, construction, operation and maintenance, and/or rights to the output, of an NCPA project.

the time of entering into a Third Phase Agreement or Power Purchase Agreement, increase its Project Member Participation Percentage of the Lodi Energy Center's capacity if additional capacity is available by reason of non-participation in the Third Phase Agreement or Power Purchase Agreements by one or more Project Members. Such excess capacity shall be reallocated among those Project Members which do participate in the same proportion as their individual shares bear to the total shares of those which do participate. If any Project Members so entitled to such excess Project capacity do not wish to contract for their share of such reallocated excess capacity, such remaining unallocated capacity shall be disposed of as agreed to by the Project Members.

(c) Exercise and Effect of Taking Less than Full Entitlement. Project Members shall establish the terms and provisions of a Third Phase Agreement and Purchase Power Agreement for rights to capacity and energy from the Project prior to the expiration of this Agreement. The Project Members shall also establish the date by which the Third Phase Agreement or Power Purchase Agreements must be executed by the Project Members and delivered to NCPA if they are to participate in the purchase of capacity from the Project. Any Project Member's failure to execute the Third Phase Agreement or Power Purchase Agreement for any of such Project Member's total Participation Percentage and to deliver such agreement to NCPA by the date set for execution or sixty (60) calendar days after the Project Member's receipt of the Third Phase Agreement or Purchase Power Agreement, whichever is later, will be an irrevocable decision on the part of that Project Member not to purchase any such capacity or otherwise participate in the Project. Execution and delivery of the Third Phase Agreement or Power Purchase Agreement for less capacity than its original total Project Member Participation Percentage share, and delivery of that Project

Member's executed Third Phase Agreement or Purchase Power Agreement to NCPA by the date set for execution or sixty (60) calendar days after Project Member's receipt of the Third Phase Agreement or Purchase Power Agreement, whichever is later, will likewise be an irrevocable decision on the part of that Project Member not to purchase any such capacity in excess of the share set forth in its delivered agreement.

Supplemental agreements or other agreements will be entered into for the sale or purchase any excess or surplus Project capacity not allocated pursuant to the Third Phase Agreement or Purchase Power Agreements as described in the preceding paragraph. The procedures for processing supplemental agreements shall be consistent with those prescribed immediately above in this Section 2(c) for making purchases of capacity. Any Project Member's failure to return an executed Third Phase Agreement or Power Purchase Agreement for any excess capacity within the prescribed time period is an irrevocable decision not to purchase any such excess capacity. A Project Member making any irrevocable decision not to purchase all of its original Project Participation share of capacity shall be foreclosed from receiving, and shall be relieved of further burdens related to, Project capacity which it has declined to purchase and shall be accordingly relieved of associated further expenses relative to the future development of the Project, all as of the date of its irrevocable decision.

### Section 3. Project Member Direction and Review.

(a) NCPA shall comply with all lawful directions of the Project Members with respect to this Agreement, while not stayed or nullified, to the fullest extent authorized by law. Actions, authorizations and approvals of Project Members, including giving directions, shall be conveyed in writing to NCPA's Project

Manager. Actions, authorizations and approvals, including directions of Project Members will be taken only by vote of a quorum of authorized representatives of Project Members at meetings of the NCPA Commission or NCPA Facilities Committee duly called and held pursuant to the Ralph M. Brown Act. NCPA shall ensure that all Project Members, including Non-NCPA Project Members, receive notices, agendas, Project related staff reports, and minutes of all NCPA Commission and NCPA Facilities Committee meetings in the same manner as NCPA members.

Ordinarily, voting by representatives of Project Members will be on a one member/one vote basis, with a majority vote of Project Member representatives eligible to vote required for action; however, upon request of a Project Member representative, the voting on any issue will be by Project Member Participation Percentages with a sixty-five (65%) percent or greater favorable Project Member Participation Percentage vote necessary to carry the action.

Within ten (10) calendar days following the mailing of notice of any Lodi Energy Center related NCPA Commission or NCPA Facilities Committee action, authorization, approval or vote, any Project Member may veto any such action, authorization, approval or vote of the Project Members that was not taken by a sixty-five (65%) percent or greater Project Member Participation Percentage vote by delivering written notice of such veto to NCPA. The notice of veto will nullify such action, authorization, approval or vote unless, at a meeting of the NCPA Commission or NCPA Facilities Committee called for the purpose of considering such veto and held within thirty (30) calendar days after the delivery of such written notice of veto, Project Members having a combined Project Member Participation Percentage of at least sixty-five (65%) percent at such time vote to override the veto.

(b) Following the completion of Phase 2A activities and prior to commencing Phase 2B activities, NCPA shall give the Project Members not less than thirty (30) calendar days prior written notice of a meeting of the NCPA Commission at which the Project Members may authorize NCPA to undertake Phase 2B activities, pursuant to the procedures in Section 3(a) of this Agreement.

#### Section 4. Conditional Repayment to Project Members.

The Parties anticipate that bonds may be issued after the commencement of Phase 2 for Project purposes, including the reimbursement of Project member payments and advances made during Phase 2 and any subsequent Phases.

All payments and advances made heretofore, and those hereafter made pursuant to Section 1 of this Agreement, excluding interest paid on delinquent payments, shall be repaid to each of the Project Members making such payments and advances pursuant to this Agreement out of the proceeds of the first issuance of the Project bonds which can, as determined by NCPA, economically provide therefor, or as and when there are sufficient funds available from partial sale of bonds, if bonds, notes, or other evidences of indebtedness are issued to support the Project. Such reimbursements shall be made within sixty (60) calendar days following the sale of any Project bonds and shall include interest on Project Member payments and advances computed monthly at a rate equivalent to the end of the month reference rate of the Bank of America. Any interest due NCPA under Section 1 of this Agreement and unpaid shall be deducted from the repayment to the respective Project Members which owe such interest to NCPA.

If NCPA determines to complete the Project, but is not successful in obtaining all necessary approvals and financing therefor, there shall be no

reimbursement to Project Members except for proportionate reimbursement to Project Members out of any remaining unused Project funds including those monies then in the capital fund, along with all other receipts to which NCPA is entitled in connection with the Project. Any ERCs purchased as authorized by Section 1(c) of this Agreement but not utilized either because the Project is not successful in obtaining all necessary financing or government approvals or as may be in excess of ERCs required, shall be re-sold by NCPA and the proceeds distributed proportionately among the Project Members.

This Section 4 shall survive the termination of this Agreement and execution of a Third Phase Agreement and any Purchase Power Agreements.

#### Section 5. Term.

The Effective Date of this Agreement shall be the next calendar day after formal approval by the governing bodies of Project Members holding eighty-five (85%) percent of the Initial Share of Project Capacity as set out in Exhibit C of this Agreement, or such later date as may be determined by Project Members after an adjustment in the Lodi Energy Center Participation Percentages to provide for an adequate subscription for the financial commitment required by Section 6 of this Agreement is attained. This Agreement shall be superseded by the Third Phase Agreement and any Purchase Power Agreements except that Section 4 shall remain in effect.

## Section 6. Financial Commitments.

To fund the Project Phase 2A activities each Project Member agrees to a total financial commitment equal to its respective Project Member Participation Percentage of a total of sixteen million (\$16,000,000) dollars. Upon completion of Phase 2A activities, or at any time deemed appropriate by a favorable vote as provided in Section 3 of this Agreement, Project Members may authorize the financial commitment to support the completion of Project Phase 2B activities, as referenced in Section 1(c); subject to the provisions of Section 8 of this Agreement.

## Section 7. NCPA Assignment of Right to Receive Payments.

(a) Notwithstanding any other provision of this Agreement, if NCPA requires funds to carry out the terms of this Agreement prior to the receipt of adequate funds from the Project Members, NCPA may assign its right to receive any payments under this Agreement to a bank or other financial institution to secure a loan by NCPA or in exchange for an amount of money equal to the then present value of those payments as determined by NCPA. Project Members hereby consent to such assignment and upon notification in writing by NCPA to each Project Member; each such Project Member will make each such assigned payment directly to the assignee. The assignee shall not be liable to Project Members for the amounts as assigned, and NCPA shall use the proceeds of such borrowing or assignment solely for the purposes provided in this Agreement. This Section 7(a) does not apply to the CDWR, which is governed by State of California contracting and fiscal rules that do not authorize such assignments without additional fiscal and contracting requirements being met.

If the amount of CDWR's payments are less, or become less, than its Project Member Participation Percentage share of Project expenditures, CDWR shall be invoiced an amount sufficient to meet its then assessed Project Member Participation Percentage share and it shall pay such invoice within ninety (90) calendar days of the date such invoice was received. If no payment is received from CDWR, CDWR's Project Member Participation Percentage share shall be reduced proportionately, and the corresponding amount of CDWR's Project Member Participation Percentage reduction shall be reallocated proportionately to the other Project Members.

If an assignment or CDWR reallocation is made under Section 7 of this Agreement, then upon the failure of any Project Member to make any corresponding payment assigned, the Project Member Participation Percentages of each non-defaulting Project Member shall be automatically proportionately increased for the term of the assignment, and the defaulting Project Member's Participation Percentage shall (but only for purposes of computing the respective Project Member Participation Percentages of the non-defaulting Project Members) be reduced correspondingly; provided that the combined sum of any such increase(s) due to a defaulting Project Member, a full or partial Project Member withdrawal, and or CDWR reallocation for any non-defaulting Project Member shall not exceed, without the written consent of each non-defaulting Project Member, an accumulated maximum of twenty-five (25%) percent of the non-defaulting Project Member's Initial Share of Project Capacity as shown in Exhibit C hereto.

If a Project Member fails or refuses to pay any amounts due to NCPA, the fact that other Project Members increase their obligations to make such payments shall not relieve the defaulting Project Member of its liability for such payments and any Project Member increasing its obligation shall have a right of recovery

from the defaulting Project Member to the extent of its respective increased obligation, in addition to the rights of NCPA discussed in the following paragraphs.

In addition, NCPA may terminate the provisions of this Agreement insofar as they entitle the defaulting Project Member to its Project Member Participation Percentage share of Project output.

In addition, NCPA shall have all rights and remedies under law or equity to compel payment of funds owed to NCPA by Project Members.

(b) For the purposes of such assignment, NCPA may fix and schedule the total amount payable by each Project Member into any number of periodic payments, and the dates on which such payments will be made, and each Project Member agrees to abide by such schedule. NCPA shall provide a reasonable opportunity for any Project Member to prepay, to make one payment, or to establish an alternative mutually agreeable payment schedule to cover its total obligation.

(c) After such an assignment is made, no Project Member may avoid the obligation so assigned by withdrawal or reduction in participation pursuant to Section 8 of this Agreement or otherwise.

(d) If NCPA makes an assignment pursuant to Section 7 of this Agreement, it may transfer, subject to Project Member authorization, any or all of its rights and duties to a nonprofit corporation formed to act on behalf of NCPA and if the voting method of the members of such nonprofit corporation is in the same manner as that provided in Sections 3 and 9 of this Agreement.

## Section 8. Withdrawal from Further Participation.

(a) Except for increases in a Project Member's financial obligation as provided in Section 7 of this Agreement, if at any time following the execution of this Agreement, NCPA becomes aware of a required or estimated increase in Phase 2A financial commitments beyond that contemplated in Section 6, NCPA shall inform the Project Members of the reasons and amount of such required or estimated financial increase no later than at the next scheduled meeting of Project Members. After being noticed of such required or estimated increases in financial commitments, Project Members may partially withdraw, (i.e., withdraw from participation in the increase only), or may withdraw wholly from the Lodi Energy Center, and Project Members shall notice NCPA in writing of their decision to accept such increase, to partially withdraw, or to wholly withdraw from Project participation. Any Project Member(s) withdrawal shall be subject to honoring any commitments made by them or on their behalf pursuant to authorization of this Agreement up to the day of NCPA's receipt of such Project Member's written notice of withdrawal, in part or in whole, within thirty (30) calendar days of the Project Member(s) receipt of the notice of the increase from NCPA.

(b) A Project Member may, by providing written notice to NCPA, withdraw completely from the Project or reduce its participation percentage following the notification from NCPA pursuant to Section 3(b) of this Agreement that Phase 2A has been completed and prior to a Project Member's authorization to proceed with Phase 2B activities. In this event the Project Members may vote to consider modifications to this Agreement.

## Section 9. Voting Rights and Duration.

A Project Member is eligible to vote pursuant to Section 3 of this Agreement until it completely withdraws from the Lodi Energy Center Project. If a Project Member's Project Member Participation Percentage is reduced, after such reduction, its subsequent financial commitment will be adjusted accordingly to match such Project Member's reduced Project Member Participation Percentage share. When the Third Phase Agreement and or Power Purchase Agreements are executed, or revised, Project Member Participation Percentages for voting shall be established or reestablished by dividing the amount of Project capacity to be purchased by each Project Member that is a party to the Third Phase Agreement and or Power Purchase Agreements by the total amount of the Project capacity.

## Section 10. Quorum Defined.

The presence of either a majority of Project Members, or of Project Members then having a combined Project Member Participation Percentages of at least sixty-five (65%) percent, shall constitute a quorum for the purpose of action.

## Section 11. Indemnification.

Each Project Member agrees to indemnify, defend and hold harmless NCPA and its members, and the other Project Members, including their respective governing officials, officers, agents, and employees, from and against any and all claims, suits, losses, costs, damages, expenses and liability of any

kind or nature, including, without limitation, reasonable attorneys' fees ("Claims") to the extent caused by any breach of contract, negligence, gross negligence or willful misconduct of itself and its officers, employees, subcontractors or agents, to the maximum extent permitted by law, but only as to Claims arising out of or related to this Agreement.

## Section 12. Default and Remedies

(a) The failure of any Project Member to meet its financial commitments as required by this Agreement shall constitute a default. In the event of such a default, NCPA shall deliver a ten (10) calendar day written notice to the defaulting Project Member to cure the default. If such default is not cured within that time NCPA shall pursue all rights, under law and equity, to collect all sums due.

(b) Any action brought to enforce any provision of this Agreement shall be filed in the County of Sacramento, subject to the binding arbitration provision set forth below.

(c) ANY DISPUTE REGARDING THE PERFORMANCE OF THIS AGREEMENT, OR THE LACK THEREOF, SHALL BE RESOLVED THROUGH BINDING ARBITRATION CONDUCTED BY A MUTUALLY AGREEABLE ARBITRATOR, OR IF NO AGREEMENT CAN BE REACHED, THEN THROUGH THE AUSPICES OF THE AMERICAN ARBITRATION ASSOCIATION. THE PARTIES HERETO UNDERSTAND THAT BY AGREEING TO THIS PROVISION THEY ARE SURRENDERING ANY JUDICIAL REMEDIES THAT MAY OTHERWISE BE AVAILABLE.

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NCPA

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PROJECT MEMBER

(d) Should any actions be necessary to enforce any provision of this Agreement the prevailing party shall be entitled to the recovery of reasonable costs and reasonable attorney fees.

Section 13. Notices

Any notice, demand or request required or authorized by this Agreement to be given to any party shall be in writing (excluding emails and faxes) and shall either be personally delivered to Project Member's designated representative and the Secretary of NCPA or transmitted to the Project Member's official mailing address as listed in Exhibit B to this Agreement by sending such notice by U.S. Mail, first class postage prepaid. All such notices shall be deemed received within two (2) business days after deposit in the U.S. mail. Any party may change the address for notice by providing written notice of such change to NCPA and the other Project Members.

Section 14. Counterparts

This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as the original instrument as if all the signatories to all of the counterparts had signed the same instrument.

Section 15. Amendment

No amendment or variation of the terms of this Agreement shall be valid unless made in writing, signed by the Parties and approved as required. No oral understanding or Agreement not incorporated in writing in the Agreement is binding on any of the parties.

Section 16. Unenforceable Provision

In the event that any provision of this Agreement is unenforceable or held to be unenforceable, then the Parties agree that all other provisions of this Agreement have force and effect and shall not be affected thereby.

Section 17. Governing Law.

This Agreement shall be governed by the law of the State of California.

Section 18. Construction.

Each party to this Agreement is sophisticated in the operation of electric utilities, and in the construction and financing of power generation facilities. Each party to this Agreement was represented by counsel during the negotiation of this Agreement. Hence, this Agreement shall be interpreted as being equally drafted by all Parties and without reference to Civil Code section 1654 requiring interpretation against parties causing an ambiguity.

Section 19: Special Provisions Applying to CDWR and NCPA Only.

The State of California General Terms and Conditions and Certification Clauses, as shown in Exhibits D and E and known as GTC-307 and CCC-307, respectively, are incorporated in this agreement. GTC-307 and CCC-307 apply only to CDWR and NCPA concerning this Agreement.

Section 20: State of California Requirements for State Agencies

CDWR's participation in this Agreement is subject to the requirements of the California Public Contract Code, and Articles therein, beginning with Sections 10295 and 10335, respectively.

Section 21: State of California Budget Contingency Clause.

Funding for the Phase 2A and Phase 2B activities are continuously appropriated to the State Water Resources Development System and are not subject to annual legislative appropriation. CDWR represents that all funds for use in Phase II will be from this fund. If the foregoing is changed by legislative action or Executive Branch policy in a manner which prevents further CDWR Project Participation funding, the following will apply: , CDWR shall have no liability to pay any additional funds whatsoever to NCPA or to furnish any other considerations under this Agreement Given such occurrence, CDWR's Participation Percentage will be revised consistent with total Project payments made to date by CDWR and Section 7 of this Agreement.

Section 22: Department of General Services Review.

The Parties to this Agreement acknowledge that this Agreement, as between CDWR and NCPA, must be reviewed and approved by the Director of the Department of General Services, or his designee, before it becomes of full force and effect. CDWR shall provide a letter opinion from CDWR Counsel indicating that Department of General Services review and approval of this Agreement has occurred and that all relevant procedural requirements for State contracting have been met.

Section 23: Exhibits

This Agreement includes the following Exhibits:

Exhibit A: Activities to be undertaken in Phase 2A

Exhibit B: Addresses for Notice

Exhibit C: Lodi Energy Center Member Participation Percentages

Exhibit D: General Terms and Conditions

Exhibit E: Certification Clauses

IN WITNESS WHEREOF, each Project Member has executed this Agreement with the approval of its governing body, and NCPA has executed this Agreement in accordance with the authorization of its Commission

NORTHERN CALIFORNIA

POWER AGENCY

\_\_\_\_\_ By: \_\_\_\_\_

Date: \_\_\_\_\_

**MEMBERS OF THE NORTHERN CALIFORNIA POWER AGENCY:**

BAY AREA RAPID TRANSIT

Approved as to Legal Form

By:\_\_\_\_\_

By:\_\_\_\_\_

Date:\_\_\_\_\_

CITY OF BIGGS

Approved as to Legal Form

By:\_\_\_\_\_

By:\_\_\_\_\_

Date:\_\_\_\_\_

CITY OF GRIDLEY

Approved as to Legal Form

By:\_\_\_\_\_

By:\_\_\_\_\_

Date:\_\_\_\_\_

CITY OF HEALDSBURG

Approved as to Legal Form

By:\_\_\_\_\_

By:\_\_\_\_\_

Date:\_\_\_\_\_

CITY OF LODI

Approved as to Legal Form

By:\_\_\_\_\_

By:\_\_\_\_\_

Date:\_\_\_\_\_

CITY OF LOMPOC

Approved as to Legal Form

By:\_\_\_\_\_

By:\_\_\_\_\_

Date:\_\_\_\_\_

PLUMAS-SIERRA RURAL ELECTRIC  
COOPERATIVE

Approved as to Legal Form

By:\_\_\_\_\_

By:\_\_\_\_\_

Date:\_\_\_\_\_

CITY OF SANTA CLARA

Approved as to Legal Form

By:\_\_\_\_\_

By:\_\_\_\_\_

Date:\_\_\_\_\_

CITY OF UKIAH

Approved as to Legal Form

By:\_\_\_\_\_

By:\_\_\_\_\_

Date:\_\_\_\_\_

**NON-MEMBERS OF THE NORTHERN CALIFORNIA POWER AGENCY:**

MODESTO IRRIGATION DISTRICT

Approved as to Legal Form

By:\_\_\_\_\_

By:\_\_\_\_\_

Date:\_\_\_\_\_

**STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES** with  
respect to its powers and responsibilities for the State Water Resources Development  
System

By:\_\_\_\_\_

Raphael A. Torres, Deputy Director

Date:\_\_\_\_\_

Approved as to form and legal sufficiency

By: \_\_\_\_\_

David A. Sandino, Chief Counsel

Date:\_\_\_\_\_

CITY OF AZUSA

Approved as to Legal Form

By:\_\_\_\_\_

By:\_\_\_\_\_

Date:\_\_\_\_\_

## **Exhibit A**

### **PHASE 2A ACTIVITIES INCLUDE**

- Finalize Phase 2 Project Participant Agreement
- Achieve Phase 2 Agreement execution by all Participants
- Establish Project Participant Committee
- Establish Project Development support and reporting infrastructure
- Establish Project Parameters (duct firing, future expandability, etc.)
- Investigate, appraise and attain necessary land and land rights from the City of Lodi
- Perform environmental assessments
- Submit application to CEC
- Purchase or secure options for Project ERCs

Phase 2A are activities anticipated to be completed by end of 2008.

### **PHASE 2B ACTIVITIES INCLUDE**

- Complete CEC process
- Exercise ERC options or fully secure any remaining necessary ERCs
- Develop Phase III and /or PPA agreements for Project commitment and financing
- Develop Project Operations Agreement
- Develop Project fuel supply arrangements
- Commence Project detailed engineering and design
- Execute Project Phase III and or PPA agreements
- Release bid for construction (Q1 2010)
- Commence construction (Q2 2010)

Phase 2B are activities anticipated to be completed by end of 2009

## **Exhibit B**

### **PROJECT PARTICIPANT ADDRESSES FOR NOTICE**

#### Northern California Power Agency

Northern California Power Agency  
Attn: Ed Warner, Lodi Energy Center Manager  
180 Cirby Way  
Roseville, California, 95678  
Telephone: (209)728-1387 x-22 or (209)768-5887  
Facsimile:  
Email: Ed.Warner@ncpagen.com

#### City of Azusa

City of Azusa  
Azusa Light & Water Department  
Attn: Bob Tang, Assistant Director Resource Management  
729 N. Azusa Avenue  
P.O. Box 9500  
Azusa, California 91702-9500  
Telephone: (626)812-5214  
Facsimile: (626)334-3163  
Email: btang@ci.azusa.ca.us

#### Bay Area Rapid Transit District

Bay Area Rapid Transit District  
Attn: Frank Schultz, Power Resources Manager  
300 Lakeside Drive, 16<sup>th</sup> Floor  
Oakland, California 94612-3534  
Telephone: (510)464-6435  
Facsimile: (510)464-6118  
Email: fschult@bart.gov

#### Modesto Irrigation District

Modesto Irrigation District  
Attn: Gregory Salyer, P.E.,  
Resource Planning and Development Manager  
P.O. Box 4060  
1231 Eleventh Street  
Modesto, California 95352  
Telephone: (209)526-7550  
Facsimile: (209)526-7575

Email: gregs@mid.org

California Department of Water Resources:

Department of Water Resources  
Attention: Chi Doan  
Chief, Power Contracts Management Branch  
3310 El Camino Avenue, LL90  
Sacramento, California 95821  
Telephone: (916) 574-0612  
Facsimile: (916) 574-0660

Plumas-Sierra Rural Electric Cooperative

Plumas-Sierra REC  
Attn: Bob Marshall, General Manager  
73233 Highway 70  
Portola, California 96122-7064  
Telephone: (530)832-4261  
Facsimile: (530)832-6070  
Email: [marshall@psln.com](mailto:marshall@psln.com)

City of Biggs

City of Biggs  
Attn: Pete Carr, City Administrator  
465 "C" Street  
P.O. Box 307  
Biggs, California 95917-0307  
Telephone: (530)868-5493  
Facsimile: (530)868-5239  
Email: [biggs1@biggs-ca.gov](mailto:biggs1@biggs-ca.gov)

City of Gridley

City of Gridley  
Attn: Jack Slota, City Administrator  
685 Kentucky Street  
Gridley, California 95948-2117  
Telephone: (530)846-5695  
Facsimile: (530)846-3229  
Email: [jslota@gridley.ca.us](mailto:jslota@gridley.ca.us)

City of Healdsburg

City of Healdsburg  
Attn: Bill Duarte, Electric Utility Director  
435 Allan Court  
Healdsburg, California 95448  
Telephone: (707)431-3346  
Facsimile: (707)431-2710  
Email: [bduarte@ci.healdsburg.ca.us](mailto:bduarte@ci.healdsburg.ca.us)

City of Lodi

City of Lodi  
Attn: George Morrow, Utility Director  
221 W. Pine Street  
Lodi, California 95240  
Telephone: (209)333-6762  
Facsimile: (209)333-6839  
Email: [gmorrow@lodieletric.com](mailto:gmorrow@lodieletric.com)

City of Lompoc

City of Lompoc  
Attn: Ronald Stassi, Utility Director  
100 Civic Center Plaza  
P.O. Box 8001  
Lompoc, California 93438-8001  
Telephone: (805)875-8299  
Facsimile: (805)875-8399  
Email: [r\\_stassi@ci.lompoc.ca.us](mailto:r_stassi@ci.lompoc.ca.us)

Silicon Valley Power

Silicon Valley Power  
Attn: John Roukema, Electric Utility Director  
1500 Warburton Avenue  
Santa Clara, California 95050  
Telephone: (408)261-5490  
Facsimile: (408)249-0217  
Email: [jroukema@siliconvalleypower.com](mailto:jroukema@siliconvalleypower.com)

City of Ukiah

City of Ukiah  
Attn: Elizabeth Kirkley, Interim Utility Director  
300 Seminary Avenue  
Ukiah, California 95482  
Telephone: (707)463-6298  
Facsimile: (707)463-6740  
Email: [ekirkley@cityofukiah.com](mailto:ekirkley@cityofukiah.com)

Power and Water Resources Purchasing Authority

Power and Water Resources Purchasing Authority  
Attn: Kent W. Palmerton, General Manager  
2106 Homewood Way, Ste 100  
Carmichael, California 95608  
Telephone: (916) 483-5368  
Facsimile: (916) 485-3537  
Email: [kent@wkpalmerton.com](mailto:kent@wkpalmerton.com)

## Exhibit C

### LODI ENERGY CENTER MEMBER PARTICIPATION PERCENTAGES

Upon approval of the NCPA Commission, this Exhibit C may be amended to add Project Members, which shall thereafter and upon execution of this Agreement, be considered a party to this Agreement, without requiring the consent of then current Project Members provided that:

1. Total existing Initial Project Capacity subscription is less than 255MW capacity.
2. The sum of (a) the existing Initial Project Capacity subscription plus (b) the proposed added Project Member's requested Project capacity does not exceed 255MW capacity.
3. The added Project Member bears its full proportionate share of costs incurred prior to its addition to this Agreement as a Project Member.
4. No existing Project Member shall have its Initial Share of Project Capacity reduced by such addition.
5. Upon addition of a new Project Member, the Effective Project Capacity and Member Participation Percentages, and other values reflected in this Exhibit C shall be recalculated and updated accordingly.
6. Any new Project Member shall execute a counterpart of this Agreement, and shall be deemed to be bound as of the Effective Date of this Agreement.

11/15/2007

<b>Lodi Energy Center Capacity and Participation Percentages</b>						
Total Project Capacity	255	mW		Given Capacity and Percentage Adjustments per terms of Agreement		
Project Member	Initial Project Capacity (mW)	Initial Share of Subscribed Capacity - mW	Initial Share of Project Capacity mW (%)	Effective Project Capacity (mW)	Effective Share of Subscribed mW (%)	Project Member Participation Percentage
Azusa	7	2.8%	2.7%	7.17	2.8%	2.8%
BART	15	6.0%	5.9%	15.36	6.0%	6.0%
Biggs	1	0.4%	0.4%	1.02	0.4%	0.4%
CDWR	60	24.1%	23.5%	61.45	24.1%	24.1%
Gridley	5	2.0%	2.0%	5.12	2.0%	2.0%
Healdsburg	4	1.6%	1.6%	4.10	1.6%	1.6%
Lodi	30	12.0%	11.8%	30.72	12.0%	12.0%
Lompoc	5	2.0%	2.0%	5.12	2.0%	2.0%
Modesto	60	24.1%	23.5%	61.45	24.1%	24.1%
Plumas-Sierra	2	0.8%	0.8%	2.05	0.8%	0.8%
PWRPA	5	2.0%	2.0%	5.12	2.0%	2.0%
Silicon Valley Power	50	20.1%	19.6%	51.20	20.1%	20.1%
Ukiah	5	2.0%	2.0%	5.12	2.0%	2.0%
<b>Total</b>	<b>249</b>	<b>100.0%</b>	<b>97.6%</b>	<b>255</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Unsubscribed Share</b>	<b>6</b>		<b>2.4%</b>	<b>0</b>		

## EXHIBIT D

THIS EXHIBIT D CONTAINS THE STATE OF CALIFORNIA GTC 307. GTC 307 CONTAINS EIGHTEEN (18) TERMS AND CONDITIONS ALL OF WHICH ARE INCLUDED BY REFERENCE AND MADE OF PART OF THIS AGREEMENT. GTC 307 APPLIES TO THIS AGREEMENT ONLY WITH RESPECT TO NCPA AND CDWR AND AS ACCEPTED, MODIFIED OR DESCRIBED BY PROVISION BELOW.

- 1) APPROVAL - ACCEPTED.
- 2) AMENDMENT - ACCEPTED AND INCLUDED AS SECTION 15.
- 3) ASSIGNMENT - ACCEPTED AS PROVIDED IN SECTION 7 OF THIS AGREEMENT.
- 4) AUDIT - ACCEPTED.
- 5) INDEMNIFICATION - NOT APPLICABLE. THE CALIFORNIA GOVERNMENT CODE ALLOWS CALIFORNIA PUBLIC BODIES, INCLUDING STATE AGENCIES, TO ALLOCATE RISK.
- 6) DISPUTES - ACCEPTED.
- 7) TERMINATION FOR CAUSE - NOT APPLICABLE ON SAME BASIS AS PROVISION 5 ABOVE.
- 8) INDEPENDENT CONTRACTOR - ACCEPTED.
- 9) RECYCLING CERTIFICATION - NOT APPLICABLE AS PRODUCTS, MATERIALS, GOODS OR SUPPLIES ARE NOT BEING OFFERED FOR SALE TO THE STATE OR CDWR.
- 10) NON-DISCRIMINATION CLAUSE - ACCEPTED.
- 11) CERTIFICATION CLAUSES - ACCEPTED AS DESCRIBED IN EXHIBIT E.
- 12) TIMELINESS - ACCEPTED.
- 13) COMPENSATION - ACCEPTED NOTING THAT IF THE SITUATION ARISES THAT CDWR'S TOTAL PAYMENTS MADE TO NCPA UNDER THIS AGREEMENT ARE LESS THAN THE TOTAL PAYMENTS ASSESSED TO CDWR BASED ON CDWR'S PROJECT PERCENTAGE CONTAIN IN EXHIBIT C, CDWR'S PROJECT PERCENTAGE SHALL BE REDUCED ACCORDINGLY CONSISTENT WITH SECTION 7 OF THIS AGREEMENT.
- 14) GOVERNING LAW - ACCEPTED AND INCLUDED AS SECTION 17.
- 15) ANTITRUST CLAIMS - NOT APPLICABLE.
- 16) CHILD SUPPORT COMPLIANCE ACT - ACCEPTED.
- 17) UNENFORCEABLE PROVISION - ACCEPTED AND INCLUDED AS SECTION 16.
- 18) PRIORITY HIRING CONSIDERATION - NOT APPLICABLE TO THIS AGREEMENT AND AS NCPA IS NOT SPECIFICALLY HIRING ADDITIONAL STAFF PERFORM THE FUNCTIONS CONTEMPLATED BY NCPA UNDER THIS AGREEMENT.

State of California GTC 307

### GENERAL TERMS AND CONDITIONS

1. APPROVAL: This Agreement is of no force or effect until signed by both parties and approved by the Department of General Services, if required. Contractor may not commence performance until such approval has been obtained.

2. AMENDMENT: No amendment or variation of the terms of this Agreement shall be valid unless made in writing, signed by the parties and approved as required. No oral understanding or Agreement not incorporated in the Agreement is binding on any of the parties.

3. ASSIGNMENT: Superseded by Section 7 of this Agreement.

4. AUDIT: Contractor agrees that the awarding department, the Department of General Services, the Bureau of State Audits, or their designated representative shall have the right to review and to copy any records and supporting documentation pertaining to the performance of this Agreement. Contractor agrees to maintain such records for possible audit for a minimum of three (3) years after final payment, unless a longer period of records retention is stipulated. Contractor agrees to allow the auditor(s) access to such records during normal business hours and to allow interviews of any employees who might reasonably have information related to such records. Further, Contractor agrees to include a similar right of the State to audit records and interview staff in any subcontract related to performance of this Agreement. (Gov. Code §8546.7, Pub. Contract Code §10115 et seq., CCR Title 2, Section 1896).

6. DISPUTES: Contractor shall continue with the responsibilities under this Agreement during any dispute.

7. TERMINATION FOR CAUSE: Superseded by Section 7 of this Agreement.

8. INDEPENDENT CONTRACTOR: Contractor, and the agents and employees of Contractor, in the performance of this Agreement, shall act in an independent capacity and not as officers or employees or agents of the State.

10. NON-DISCRIMINATION CLAUSE: During the performance of this Agreement, Contractor and its subcontractors shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (cancer), age (over 40), marital status, and denial of family care leave. Contractor and subcontractors shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. Contractor and subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Gov. Code §12990 (a-f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. Contractor

and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other Agreement.

Contractor shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under the Agreement.

11. CERTIFICATION CLAUSES: The CONTRACTOR CERTIFICATION CLAUSES contained in the document CCC 307 are hereby incorporated by reference and made a part of this Agreement by this reference as if attached hereto.

12. TIMELINESS: Time is of the essence in this Agreement.

13. COMPENSATION: The consideration to be paid Contractor, as provided herein, shall be in compensation for all of Contractor's expenses incurred in the performance hereof, including travel, per diem, and taxes, unless otherwise expressly so provided.

14. GOVERNING LAW: This contract is governed by and shall be interpreted in accordance with the laws of the State of California.

16. CHILD SUPPORT COMPLIANCE ACT: "For any Agreement in excess of \$100,000, the contractor acknowledges in accordance with Public Contract Code 7110, that:

a). The contractor recognizes the importance of child and family support obligations and shall fully comply with all applicable state and federal laws relating to child and family support enforcement, including, but not limited to, disclosure of information and compliance with earnings assignment orders, as provided in Chapter 8 (commencing with section 5200) of Part 5 of Division 9 of the Family Code; and

b) The contractor, to the best of its knowledge is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry maintained by the California Employment Development Department."

17. UNENFORCEABLE PROVISION: In the event that any provision of this Agreement is unenforceable or held to be unenforceable, then the parties agree that all other provisions of this Agreement have force and effect and shall not be affected thereby.

## EXHIBIT E

THIS EXHIBIT E CONTAINS THE STATE OF CALIFORNIA CCC 307. CCC 307 CONTAINS SEVEN (7) PROVISIONS PERTAINING TO *CONTRACTOR CERTIFICATION CLAUSES* AND EIGHT (8) PROVISIONS PERTAINING TO *DOING BUSINESS WITH THE STATE OF CALIFORNIA*, ALL OF WHICH ARE INCLUDED FOR REFERENCE. CCC 307 APPLIES TO THIS AGREEMENT ONLY WITH RESPECT TO NCPA AND CDWR AND AS ACCEPTED, MODIFIED OR DESCRIBED BY PROVISION BELOW.

### CONTRACTOR CERTIFICATION CLAUSES

- 1) STATEMENT OF COMPLIANCE – NOT APPLICABLE, NCPA IS A PUBLIC ENTITY.
- 2) DRUG-FREE WORKPLACE REQUIREMENTS – ACCEPTED.
- 3) NATIONAL LABOR RELATIONS BOARD CERTIFICATION – NOT APPLICABLE, NCPA IS A PUBLIC ENTITY.
- 4) CONTRACT FOR LEGAL SERVICES \$50,000 OR MORE- PRO BONO REQUIREMENT – NOT APPLICABLE; NCPA IS NOT PERFORMING LEGAL SERVICES FOR CDWR.
- 5) EXPATRIATE CORPORATIONS – ACCEPTED.
- 6) SWEATFREE CODE OF CONDUCT – NOT APPLICABLE, NCPA IS NOT FURNISHING ANY APPARAL, GARMENTS OR CORRESPONDING ACCESSORIES TO CDWR.
- 7) DOMESTIC PARTNERS – NOT APPLICABLE / WAIVED PER PUBLIC CONTRACT CODE SECTION 10295.3 (C)(4).

### **CCC-307**

#### CERTIFICATION

I, the official named below, CERTIFY UNDER PENALTY OF PERJURY that I am duly authorized to legally bind the prospective Contractor to the clause(s) listed below. This certification is made under the laws of the State of California.

<i>Contractor/Bidder Firm Name (Printed)</i>		<i>Federal ID Number</i>
<i>By (Authorized Signature)</i>		
<i>Printed Name and Title of Person Signing</i>		
<i>Date Executed</i>	<i>Executed in the County of</i>	

## **CONTRACTOR CERTIFICATION CLAUSES**

2. **DRUG-FREE WORKPLACE REQUIREMENTS:** Contractor will comply with the requirements of the Drug-Free Workplace Act of 1990 and will provide a drug-free workplace by taking the following actions:

a. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations.

b. Establish a Drug-Free Awareness Program to inform employees about:

- 1) the dangers of drug abuse in the workplace;
- 2) the person's or organization's policy of maintaining a drug-free workplace;
- 3) any available counseling, rehabilitation and employee assistance programs; and,
- 4) penalties that may be imposed upon employees for drug abuse violations.

c. Every employee who works on the proposed Agreement will:

- 1) receive a copy of the company's drug-free workplace policy statement; and,
- 2) agree to abide by the terms of the company's statement as a condition of employment on the Agreement.

Failure to comply with these requirements may result in suspension of payments under the Agreement or termination of the Agreement or both and Contractor may be ineligible for award of any future State agreements if the department determines that any of the following has occurred: the Contractor has made false certification, or violated the certification by failing to carry out the requirements as noted above. (Gov. Code §8350 et seq.)

5. **EXPATRIATE CORPORATIONS:** Contractor hereby declares that it is not an expatriate corporation or subsidiary of an expatriate corporation within the meaning of Public Contract Code Section 10286 and 10286.1, and is eligible to contract with the State of California.

7. **DOMESTIC PARTNERS:** For contracts over \$100,000 executed or amended after January 1, 2007, the contractor certifies that contractor is in compliance with Public Contract Code section 10295.3.

### **DOING BUSINESS WITH THE STATE OF CALIFORNIA**

- 1) CONFLICT OF INTEREST - ACCEPTED.
- 2) LABOR CODE/WORKERS' COMPENSATION - ACCEPTED.
- 3) AMERICANS WITH DISABILITIES ACT - ACCEPTED.
- 4) CONTRACTOR NAME CHANGE - ACCEPTED.
- 5) CORPORATE QUALIFICATIONS TO DO BUSINESS IN CALIFORNIA - NOT APPLICABLE, NCPA IS NOT A CORPORATION.
- 6) RESOLUTION - ACCEPTED.
- 7) AIR OR WATER POLLUTION VIOLATION - ACCEPTED.
- 8) PAYEE DATA RECORD FORM STD. 204 - NOT APPLICABLE, NCPA IS A GOVERNMENTAL ENTITY.

## **DOING BUSINESS WITH THE STATE OF CALIFORNIA**

The following laws apply to persons or entities doing business with the State of California.

1. **CONFLICT OF INTEREST**: Contractor needs to be aware of the following provisions regarding current or former state employees. If Contractor has any questions on the status of any person rendering services or involved with the Agreement, the awarding agency must be contacted immediately for clarification.

Current State Employees (Pub. Contract Code §10410):

- 1). No officer or employee shall engage in any employment, activity or enterprise from which the officer or employee receives compensation or has a financial interest and which is sponsored or funded by any state agency, unless the employment, activity or enterprise is required as a condition of regular state employment.
- 2). No officer or employee shall contract on his or her own behalf as an independent contractor with any state agency to provide goods or services.

Former State Employees (Pub. Contract Code §10411):

- 1). For the two-year period from the date he or she left state employment, no former state officer or employee may enter into a contract in which he or she engaged in any of the negotiations, transactions, planning, arrangements or any part of the decision-making process relevant to the contract while employed in any capacity by any state agency.
- 2). For the twelve-month period from the date he or she left state employment, no former state officer or employee may enter into a contract with any state agency if he or she was employed by that state agency in a policy-making position in the same general subject area as the proposed contract within the 12-month period prior to his or her leaving state service.

If Contractor violates any provisions of above paragraphs, such action by Contractor shall render this Agreement void. (Pub. Contract Code §10420)

Members of boards and commissions are exempt from this section if they do not receive payment other than payment of each meeting of the board or commission, payment for preparatory time and payment for per diem. (Pub. Contract Code §10430 (e))

2. **LABOR CODE/WORKERS' COMPENSATION**: Contractor needs to be aware of the provisions which require every employer to be insured against liability for Worker's Compensation or to undertake self-insurance in accordance with the provisions, and Contractor affirms to comply with such provisions before commencing the performance of the work of this Agreement. (Labor Code Section 3700)

3. **AMERICANS WITH DISABILITIES ACT**: Contractor assures the State that it complies with the Americans with Disabilities Act (ADA) of 1990, which prohibits

discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA. (42 U.S.C. 12101 et seq.)

4. CONTRACTOR NAME CHANGE: An amendment is required to change the Contractor's name as listed on this Agreement. Upon receipt of legal documentation of the name change the State will process the amendment. Payment of invoices presented with a new name cannot be paid prior to approval of said amendment.

6. RESOLUTION: A county, city, district, or other local public body must provide the State with a copy of a resolution, order, motion, or ordinance of the local governing body which by law has authority to enter into an agreement, authorizing execution of the agreement.

7. AIR OR WATER POLLUTION VIOLATION: Under the State laws, the Contractor shall not be: (1) in violation of any order or resolution not subject to review promulgated by the State Air Resources Board or an air pollution control district; (2) subject to cease and desist order not subject to review issued pursuant to Section 13301 of the Water Code for violation of waste discharge requirements or discharge prohibitions; or (3) finally determined to be in violation of provisions of federal law relating to air or water pollution.

RESOLUTION NO. 2007-247

A RESOLUTION OF THE LODI CITY COUNCIL  
AUTHORIZING THE CITY MANAGER TO EXECUTE AN  
UPDATED SECOND PHASE MEMBER AGREEMENT WITH  
THE NORTHERN CALIFORNIA POWER AGENCY FOR  
THE LODI ENERGY CENTER

=====

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize (i) the City Manager to execute an updated Second Phase Member Agreement with the Northern California Power Agency for the Lodi Energy Center and (ii) the Electric Utility Director, or his/her designee, to represent the City in administering the Agreement in accordance with its terms.

Dated: December 19, 2007

=====

I hereby certify that Resolution No. 2007-247 was passed and adopted by the City Council of the City of Lodi in a regular meeting held December 19, 2007, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Johnson, Katzakian, and  
Mayor Mounce

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – Hitchcock

ABSTAIN: COUNCIL MEMBERS – None

  
RANDI JOHL  
City Clerk



# Lodi Energy Center



**City Council  
December 19, 2007**



# Background

- Northern California Power Agency is developing a new baseload generating facility
- Proposed location is adjacent to existing “STIG” unit at Lodi’s water treatment plant
- Initial development phase completed (Phase 1) -- “Fatal Flaw” analysis
- Additional more detailed studies are being proposed as Phases 2A and 2B
- Lodi previously approved Phase 2 on March 7, 2007 but not implemented due to lack of participation by others

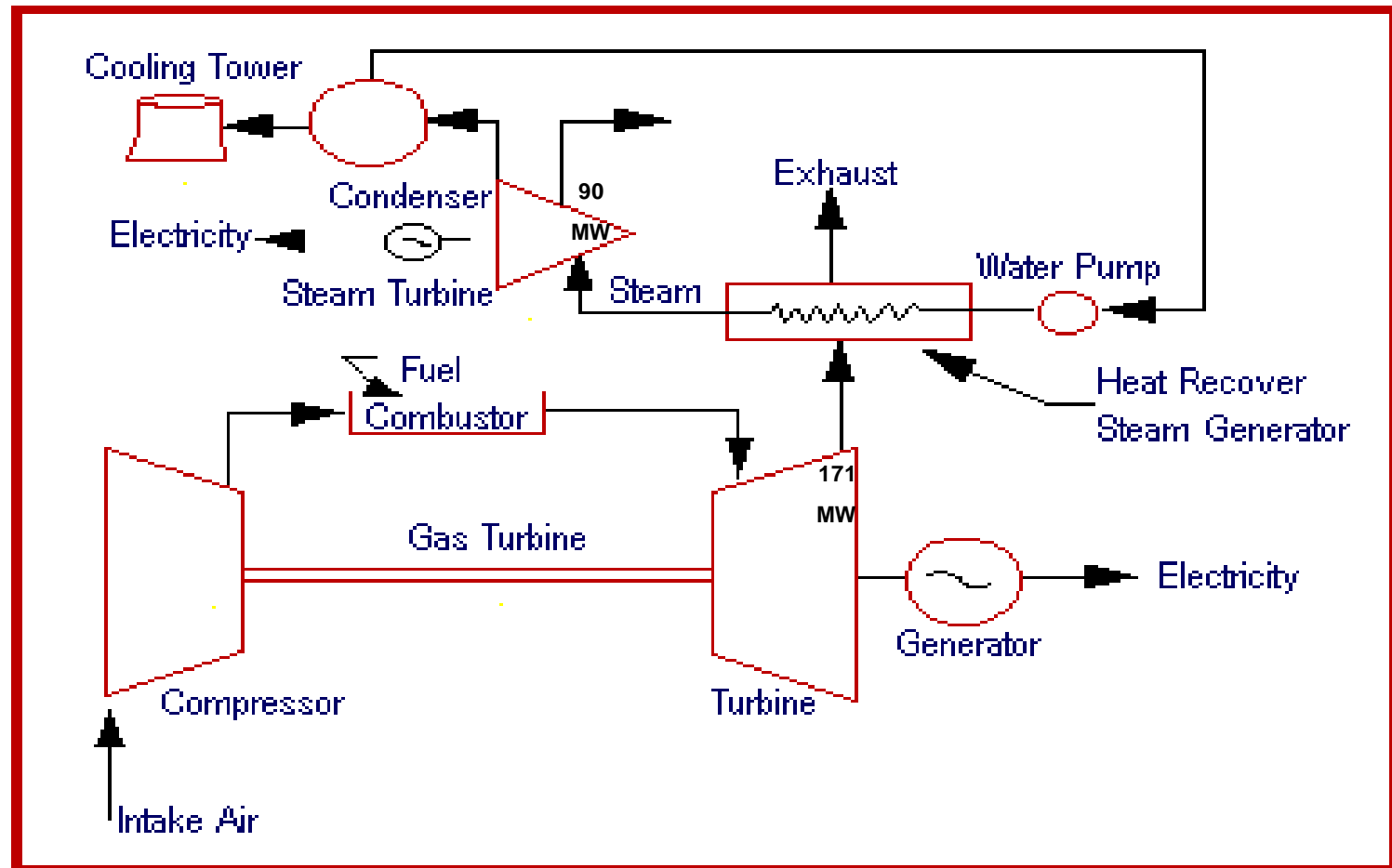


# Lodi Energy Center

- 255 mw, 1x1x1 Combined Cycle Frame Unit
- CEC Permitting Required
- Located adjacent to STIG CT2
- COD Summer 2012
- 7000 Heat Rate Baseload Plant, Natural Gas
- Transmission - Western/NP15
- Total Project Costs \$231++ million
- NCPA Commission has approved Phase 2 development (\$25 million)

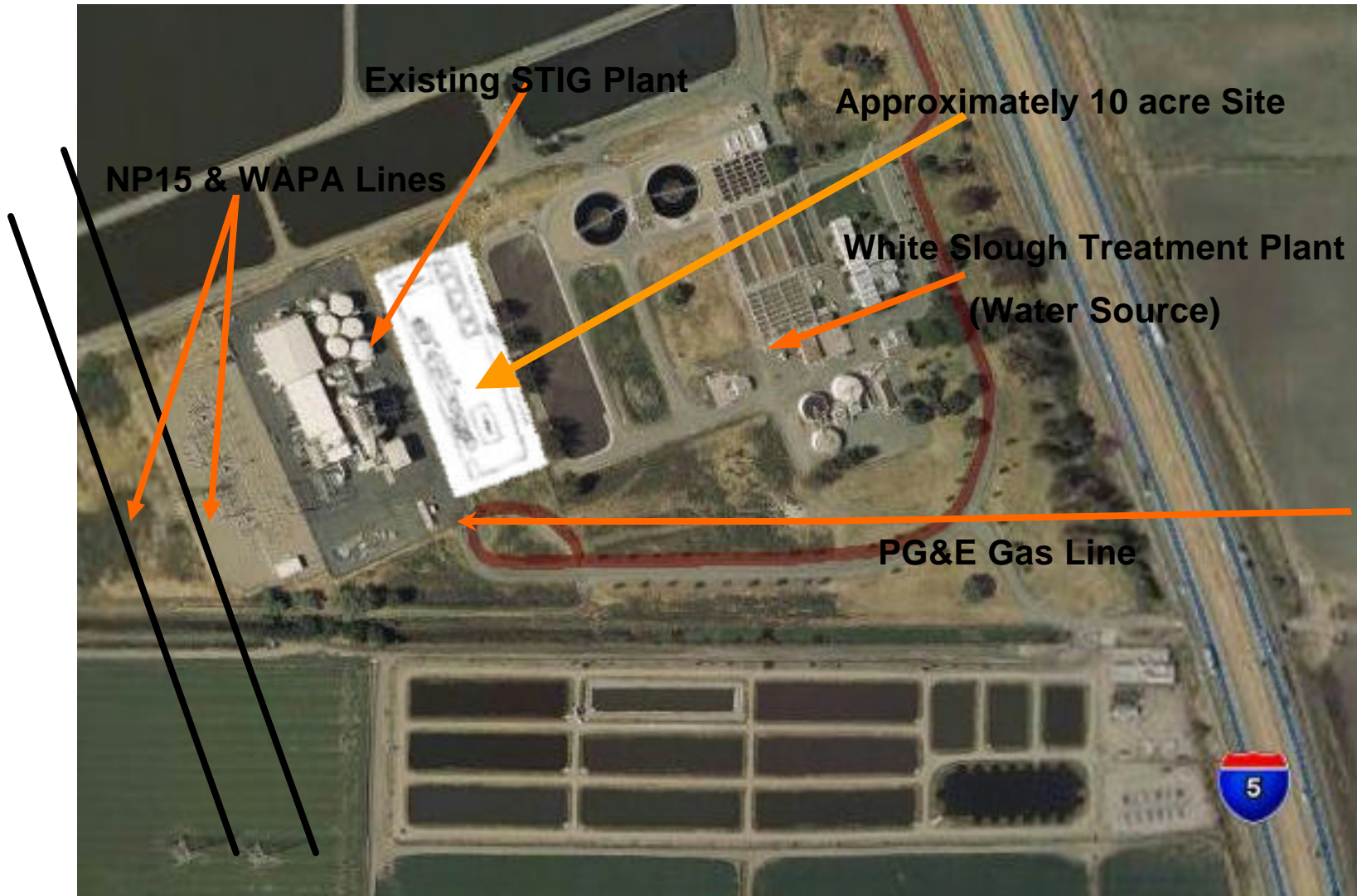


# Combined Cycle Basics





# Project Location





# Phase 2

- **Phase 2A** (through December 2008)
  - Initial engineering studies
  - CEC permitting evaluation
  - Equipment specification
  - Updated cost projections and timelines
  - **Acquisition of air pollution credits**
  
- **Phase 2B** (through December 2009)
  - Detailed engineering
  - Acquisition of permits
  - Development of Phase 3 agreements
  - Preparation of construction RFPs.



# Key Changes

(since March 2007)

- Participants
  - CDWR at 60 MW; Azusa at 7 MW
  - Roseville at 0 MW
- Phase 2 Cost Estimate
  - Increase from \$14 to \$25 million
- Construction Cost Estimate
  - Increase from \$231 M to ?
- Projected In-Service Date
  - 2011 to 2012



# Participation



# Participants

Participant	Capacity (mW)	Share of Subscribed mW (%)	Share of Project mW (%)
Azusa	7	2.8%	2.7%
BART	15	6.0%	5.9%
Biggs	1	0.4%	0.4%
CDWR	60	24.1%	23.5%
Gridley	5	2.0%	2.0%
Healdsburg	4	1.6%	1.6%
Hercules	0	0.0%	0.0%
Lodi	30	12.0%	11.8%
Lompoc	5	2.0%	2.0%
Merced	0	0.0%	0.0%
Modesto	60	24.1%	23.5%
Plumas-Sierra	2	0.8%	0.8%
PWRPA	5	2.0%	2.0%
Redding	0	0.0%	0.0%
Roseville	0	0.0%	0.0%
Silicon Valley Power	50	20.1%	19.6%
SMUD	0	0.0%	0.0%
TID	0	0.0%	0.0%
Ukiah	5	2.0%	2.0%
<b>Total</b>	<b>249</b>	<b>100.0%</b>	<b>97.6%</b>

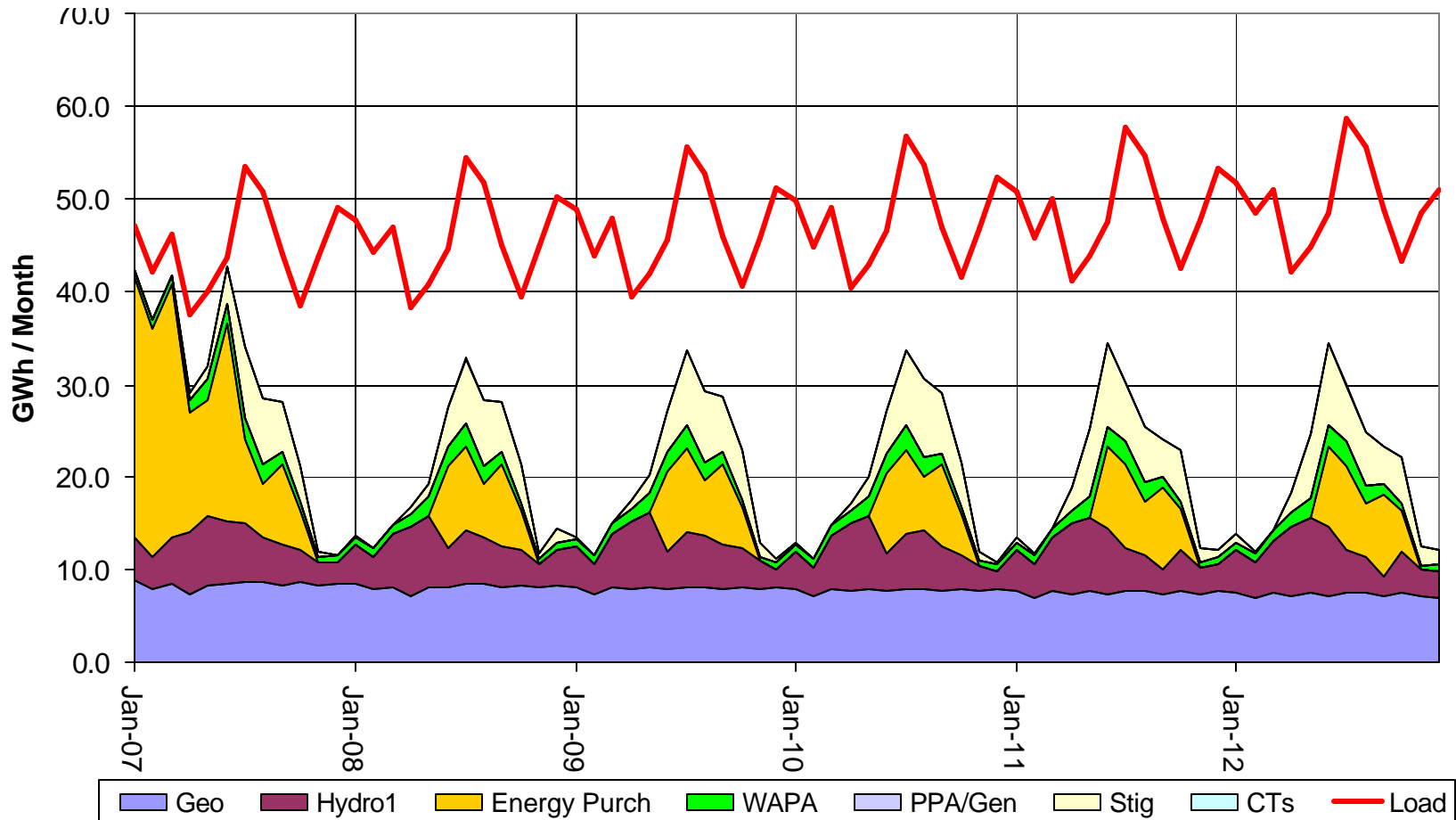


# Lodi Participation Level

- Lodi participated in Phase 2A at 25 MW level
- Review of Lodi baseload needs indicates a good fit for 30 MW.
  - Same level as approved by City Council on March 7, 2007

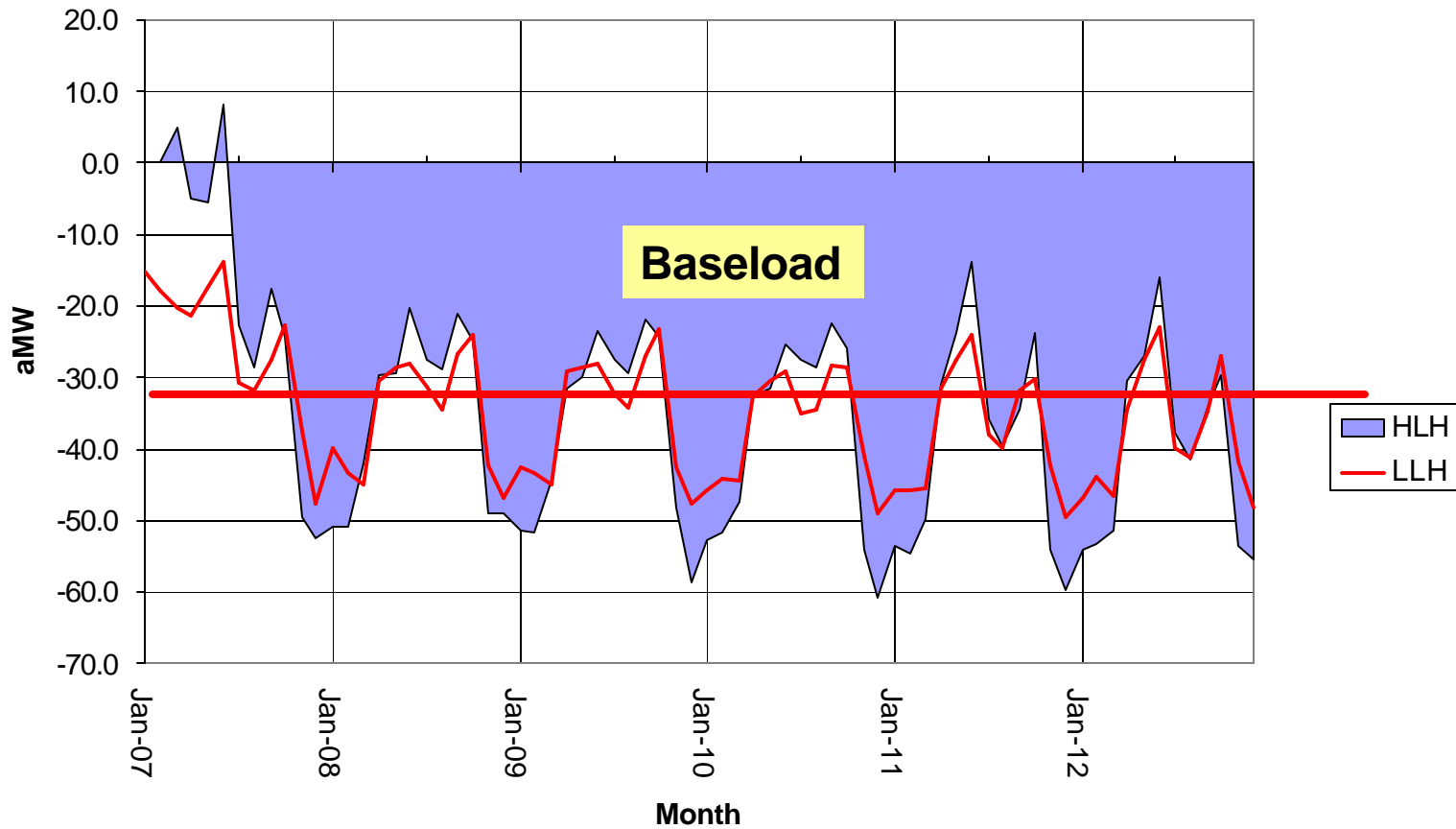


# Energy Balance





# Net Energy Balance





# Lodi Power Resources

Resource	MWH
Geothermal	100,000
Hydroelectric	56,000
CT1 Project	0
Lodi STIG Project	0
Western Hydro	16,000
Seattle Contract	(10,000)
<hr/>	
Totals	162,000
Lodi Needs	495,000
Net	<b>(333,000)</b>
New Lodi	<b>225,000</b>



# Phase 2 Costs



# Phase 2 Cost Estimates

		11/07 Estimate		
	Old Estimate \$000	Estimate \$000	Delta 05-06 \$000	Delta 05-06 %
Cost Particulars				
ERCs	4,000	12,500	8,500	212.5%
Transmission Studies	50	375	325	650.0%
Engineering	6,000	7,500	1,500	25.0%
CEC Process	75	200	125	166.7%
All Other	3,875	4,251	376	9.7%
			-	
<b>Total Estimate</b>	<b>14,000</b>	<b>24,826</b>	<b>10,826</b>	<b>77.3%</b>



# Phase 2 Costs

(millions)

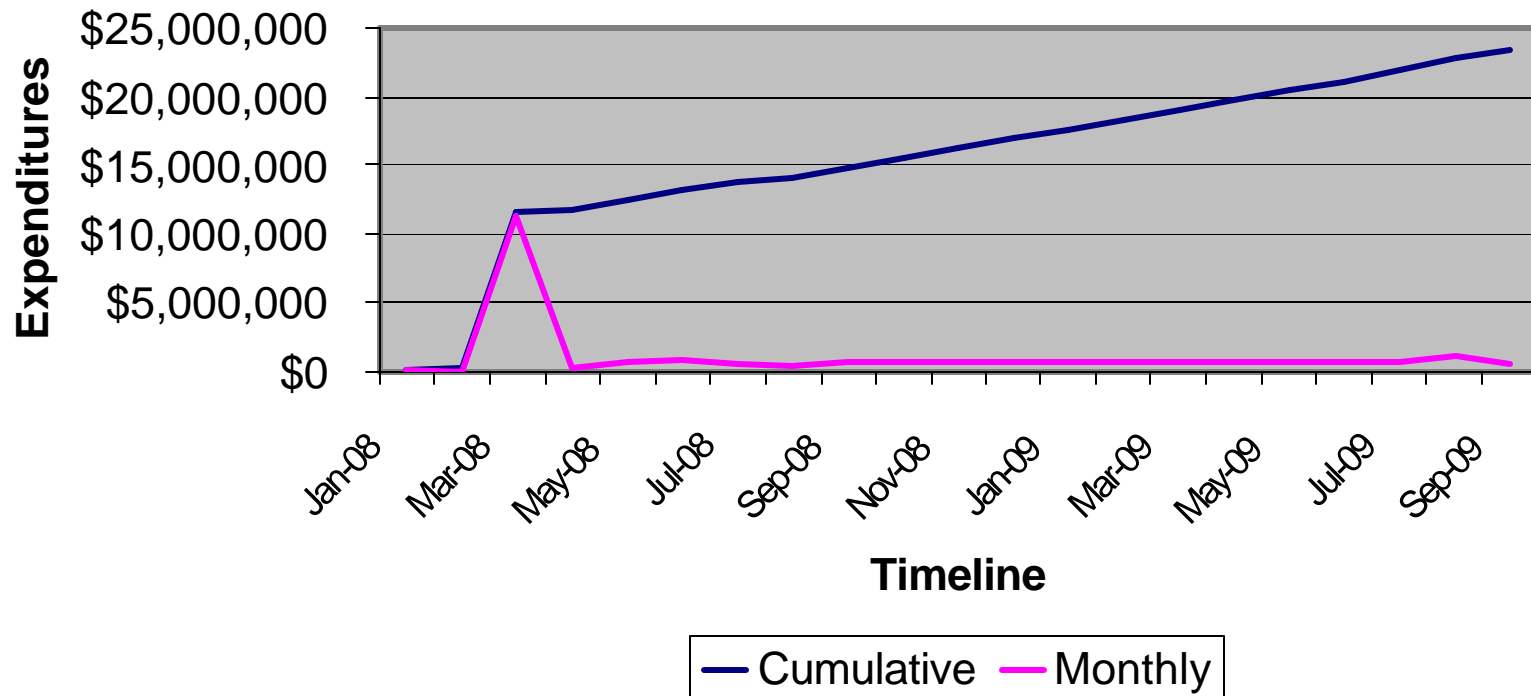
	Phase 2A	Phase 2B	Total
Project	\$16	\$9	\$25
Lodi	\$1.94	\$1.09	\$3.03

Note: Based on a 249 MW subscription level.



# Cash Flow

## LODI ENERGY CENTER Schedule of Cash Flow





# Emission Reduction Credits

Offset Projection		
Pollutant	Tons/Year	\$/Ton
NO <sub>x</sub>	90	40,000
SO <sub>x</sub>	5	45,000
PM <sub>10</sub>	55	80,000
VOC	25	45,000

Note: Phase 2 Budget is \$12.5 million



# Construction Costs

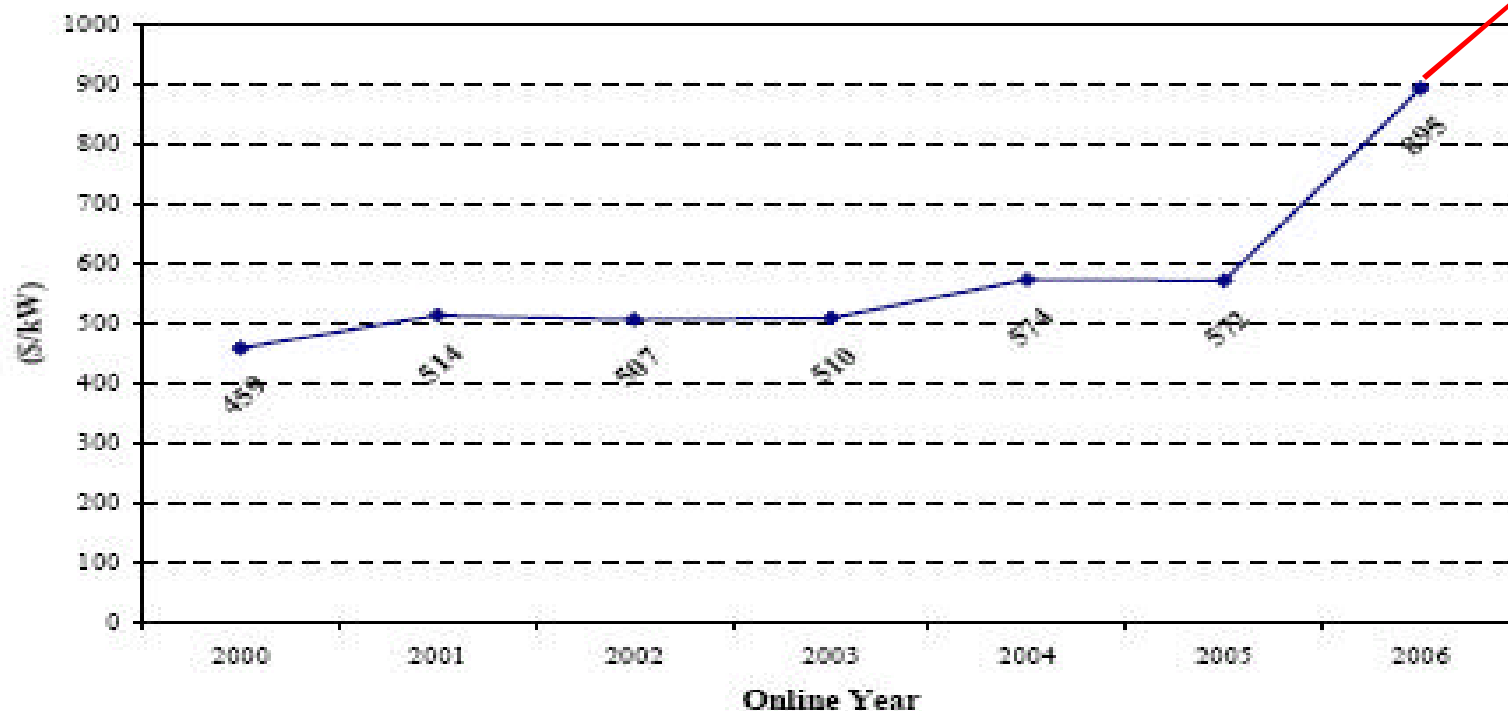


# Capital Costs

2007 CPUC  
CT 2012  
Capital \$/KW

\$1,099

**Average Nominal Installation Costs Based on Online Year (\$/kW)**



Sources and Notes:

\* Data on summer capacity, total installation cost, turbine technology, commercial online date, and zip code for the period 2000-2006 were collected from commercially available databases and other sources such as company websites and 10k reports.



# Project Cost Summary

- **\$65 / MWh @ 78% Capacity Factor:**
  - \$8.58/Mwh debt cost for \$231MM
  - +\$5.67/Mwh O&M
  - +\$49.35/Mwh Gas (@ \$7/mmbtu)
  - + \$1.40/Mwh NCPA Costs

**Note:** Each 10% change in capital cost results in about a \$ .70 / MWh change in plant bus bar cost



# Joint Site Savings

- **Savings by Sharing STIG resources**
  - Savings of ~ \$2.2/mwh in labor cost
  - Only 7 more employees necessary vs. 17 for a stand alone
- **Savings from Joint Infrastructure**
  - Office Space /Control Room/Warehouse/Shop
  - Water Treatment equipment/ SCR Ammonia

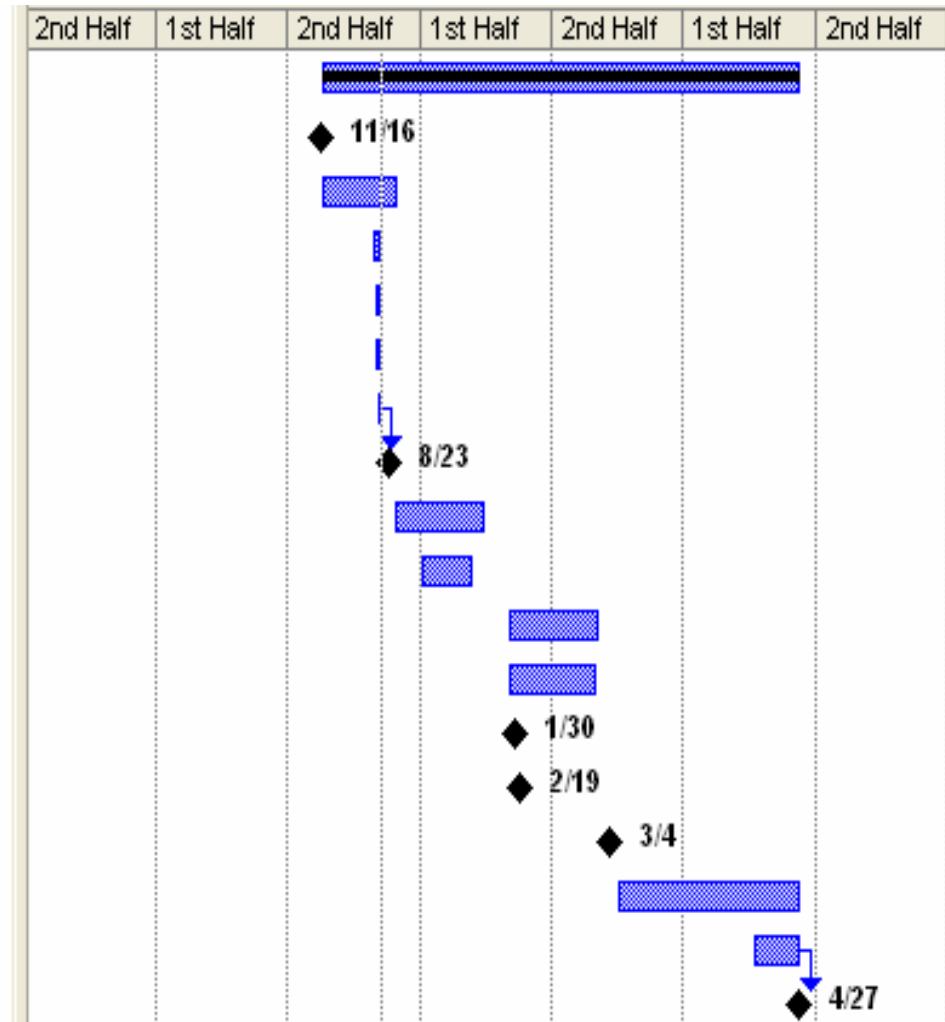


# In-Service Date



# Project Schedule

Task Name	Finish
<b>New Lodi Project</b>	Fri 4/27/12
Approval of Phase IIA	Thu 11/16/06
Develop Project Subscr	Thu 9/20/07
Establish Project Team	Thu 7/19/07
Establish Preliminary S	Wed 7/18/07
Establish Project Param	Thu 7/19/07
Env. Asmnt. RFP Prep&I	Fri 7/20/07
Env. Assmnt. Vendor S	Thu 8/23/07
Env. Assmnt.	Fri 9/19/08
Engineering	Thu 7/31/08
Data Adequacy (CEC)	Tue 1/5/10
AFC Application	Fri 1/1/10
AFC Granted	Fri 1/30/09
Phase III Approved	Thu 2/19/09
Project Financing	Thu 3/4/10
Commence Constructi	Fri 4/27/12
Testing and Startup	Fri 4/27/12
Commercial Operation	Fri 4/27/12





# Project Benefits

- **Local/Public Ownership and Control**
- **Tax Free Financing**
- **Blended Economics of Using Existing STIG Facilities.**
- **High Efficiency - 7050 Btu/kWh .**
- **Gas Contracts Provide Fuel Hedging**
- **Future Capacity Value.**
- **Meet supply need to serve retail load.**



# Other Considerations

- Project can connect to CAISO and/or Western/SMUD control areas
- May provide “behind the meter” benefits for Lodi (reduction of transmission costs and energy losses)
- Opportunity for new transmission interconnection to west for Lodi (improved reliability)

# Summary

- Phase 2 is essentially fully subscribed
- Phase 2 cost estimate is about \$25 million
- Lodi's share of Phase 2 costs is about \$3.03 million for 30 megawatts
- Phase 2 to extend until December 2009
- Projected in-service date is April 2012
- Staff recommends execution of updated Phase 2 Agreement



Questions/comments?